

least equal to Hormel Foods' projected negative cash position with Producer. Such security interest shall be on written terms reasonably satisfactory to Hormel Foods.

5. OPTION TO EXTEND CONTRACT.

- (a) If Hormel Foods is in a negative cash position with Producer, as defined below, at the end of the initial seven-year term of this Agreement, Hormel Foods may by written notice to Producer elect to extend the Agreement until such time as Hormel Foods' negative cash position has been eliminated; provided that such extended term shall be no longer than five (5) years in any event. "Negative cash position" means that the aggregate amount that Hormel Foods has paid to Producer for hogs purchased from Producer under this Agreement exceeds the total market value, based on Contract Base Prices, of those same hogs. During the extended term of this Agreement, (1) Hormel Foods may terminate this Agreement by written notice to Producer at any time Hormel Foods is in a negative cash position, and (2) Producer may terminate this Agreement by written notice to Hormel Foods at any time by making a cash payment to Hormel Foods sufficient to eliminate Hormel Foods' negative cash position.
- (b) If Hormel Foods is in a positive cash position with Producer, as defined below, at the end of the initial term of this Agreement, Producer may by written notice to Hormel Foods elect to extend the Agreement until such time as Hormel Foods' positive cash position has been eliminated; provided that such extended term shall be no longer than five (5) years in any event. "Positive cash position" means that the aggregate amount that Hormel Foods has paid to Producer for hogs purchased from Producer under this Agreement is less than the total market value, based on Contract Base Prices, of those same hogs. During the extended term of this Agreement, (1) Producer may terminate this Agreement by written notice to Hormel Foods at any time Hormel Foods is in a positive cash position, and (2) Producer may terminate this Agreement by written notice to Hormel Foods at any time by making a cash payment to Hormel Foods sufficient to eliminate Hormel Foods' negative cash position.
- (c) The provisions in paragraphs 5.(a) and 5.(b) are subject to the following restrictions:
 - (1) Any extension to the Agreement shall be governed by the terms of the basic Long-Term Hog Procurement Agreement being offered by Hormel Foods at the time of the extension or, if there is no such agreement being offered by Hormel Foods at that time, by the terms of the basic Long-Term Hog Procurement Agreement most recently offered by Hormel Foods at the time of the extension; and
 - (2) Hormel Foods reserves the right to terminate this Long-Term Procurement program in its entirety at any time after the initial contract term has ended, and upon such a termination any extension previously made under paragraph 5.(a) or 5.(b) shall likewise be terminated, and the parties shall be released from any further obligation to participate in the program.

6. DEFAULT. If Producer defaults in its obligation to deliver hogs in the quantity and of the quality required hereunder, or if Producer otherwise breaches this Agreement in any way, Producer shall indemnify and hold Hormel Foods